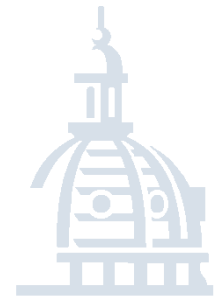


Fiscal Note

Fiscal Services Division



HF 2146 – Lottery Self-Service Kiosks (LSB5208HV.1)

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Fiscal Note Version – As passed by the House

Description

House File 2146 authorizes the dispensing of lottery tickets and related products by self-service kiosks. The bill defines self-service kiosk and provides that a self-service kiosk is not a monitor vending machine or player activated gaming machine. The bill is effective on enactment.

Background

Lottery tickets are currently sold at approximately 2,400 retail locations across the state of Iowa. Approximately 260 of these locations carry specific scratch ticket vending machines, and approximately 800 locations carry pull tab vending machines. Scratch ticket games accounted for 65.0% of total lottery sales of \$324.5 million in FY 2015. In FY 2015, scratch ticket and pull tab ticket sales realized \$21.6 million in sales, providing for 10.0% of all scratch ticket sales. Pull tab games accounted for 5.0% of lottery sales in FY 2015, where lotto games achieved 30.0% of total sales. Nearly 70.0% of all scratch ticket sales were generated from vending machines. The table below summarizes FY 2015 sales.

Table 1: Lottery Ticket Sales Revenue - FY 2015

(dollars in millions)

<u>Game type</u>	<u>Revenue</u>	<u>% of total</u>
Scratch Ticket	\$ 212.0	65%
Pull Tab	16.0	5%
Lotto/Other	96.5	30%
	<u>\$ 324.5</u>	

<u>Estimated FY 2015</u>	<u>Locations</u>	<u>Est. Rev</u>	<u>% of Type</u>
Number of retail locations selling tickets	2,400	\$ 324.5	
Number selling scratch tickets from vending machines	260	21.6	10%
Number selling pull tabs from vending machines	800	16.0	100%

The current vending machines have been in use since 1991 and are in need of replacement, as some older parts are no longer being manufactured. The contract for the current vending machines expires in September 2016. Current law prohibits the use of self-service kiosks or monitor vending machines when audio or video representation of the lottery game is initiated by player interaction.

Assumptions

- Assumes lottery revenues generated through the new kiosk machinery will maintain revenue from the vending machines by an estimated \$30.5 million annually.
- For FY 2017 and FY 2018, total lottery revenues are projected to be \$321.5 million.

- According to the Iowa Lottery Authority, no contract extensions are available on the service contract scheduled to expire on September 30, 2016, for the vending machines currently in use.
- Assumes that if this bill is not enacted, there will be a decrease to the General Fund of approximately \$6.2 million annually, and an additional decrease of \$24.3 million to Lottery proceeds annually.

Fiscal Impact

No fiscal impact to the State General Fund is projected for the remainder of FY 2016. Updating self-service kiosks at retail locations after the expiration of the current vending contract will allow the Lottery Authority to maintain an estimated \$30.5 million in revenue per year for FY 2017 and FY 2018.

Sources

Iowa Lottery Authority
Legislative Services Agency

/s/ Holly M. Lyons

March 7, 2016

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
